

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

COMMONWEALTH EDISON COMPANY	:	
	:	Docket No. 14-0569
Reconciliation of revenues collected under power	:	
procurement riders with actual costs associated	:	
with power procurement expenditures.	:	

Direct Testimony of

SCOTT A. VOGT

Vice President, Energy Acquisition
Commonwealth Edison Company

TABLE OF CONTENTS

I.	INTRODUCTION AND BACKGROUND	1
A.	Identification of Witness	1
B.	Background and Experience	1
C.	Purpose of Testimony and Summary of Conclusions	2
D.	Itemized Attachments to Testimony	3
II.	DESCRIPTION OF COMED’S ADMINISTRATIVE AND OPERATIONAL COSTS FOR PROCURING ELECTRIC POWER AND ENERGY FOR RIDER PE AND RATE BESH CUSTOMERS	3
A.	Internal Administrative and Operational Costs	4
B.	Other Administrative and Operational Costs	9
III.	ALLOCATION METHODOLOGY	17
IV.	REASONABLENESS OF THE ADMINISTRATIVE AND OPERATIONAL COSTS	20
V.	COMPLIANCE WITH THE PROCUREMENT PLAN	22

1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

3 **Q. Please state your name and business address.**

4 A. My name is Scott A. Vogt. My business address is Commonwealth Edison Company,
5 1919 Swift Drive, Oak Brook, Illinois 60521.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by Commonwealth Edison Company (the “Company” or “ComEd”) as
8 Vice President – Energy Acquisition.

9 **B. Background and Experience**

10 **Q. What is your current position with ComEd?**

11 A. I am Vice President of Energy Acquisition for ComEd. In that capacity, I manage the
12 department that is responsible for procurement of wholesale electric supply, PJM
13 Interconnection, LLC (“PJM”) wholesale market settlements, and Retail Choice functions
14 for ComEd. This includes overseeing the administrative and operational processes that
15 are used to procure electric power and energy. I have held this position since May 2014.

16 **Q. Please describe your educational experience and business background.**

17 A. I have a Bachelor of Science degree in Business Analysis from Indiana University, from
18 which I graduated in 1990. I worked in three finance-related positions at the University
19 of Chicago Hospitals from 1990 to 1998. I have been employed by ComEd and Exelon
20 Corporation (“Exelon”) since 1998 in various positions, including, in sequence, Senior
21 Financial Analyst (ComEd), Executive Assistant (ComEd), Assistant Treasurer (ComEd),
22 Director of Project Evaluation (Exelon Enterprises), Director of Financial Planning &

Analysis (ComEd), Director of Corporate Financial Planning & Analysis (Exelon), Director of Finance (Exelon Nuclear), Vice President of Regulatory Projects (ComEd), and my current position as Vice President of Energy Acquisition (ComEd).

C. Purpose of Testimony and Summary of Conclusions

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe and support the reasonableness of ComEd's administrative and operational costs associated with the procurement of electric power and energy for retail customers served under Rider PE - Purchased Electricity ("Rider PE") and under Rate BESH - Basic Electric Service Hourly ("Rate BESH") for the period June 1, 2012, through May 31, 2013. In addition, I shall explain how ComEd complied with the applicable procurement plan approved by the Illinois Commerce Commission ("ICC" or "Commission").

More specifically, in my testimony, I: (1) provide a description of the types of administrative and operational costs that were recovered from retail customers under the provisions of Rider PE and Rate BESH; (2) explain how ComEd's administrative and operational costs associated with procuring electric power and energy were allocated to retail customers served under those two tariffs; (3) explain why it was reasonable for ComEd to incur these costs to procure electric power and energy for those retail customers; and (4) discuss compliance with the ICC-approved procurement plan, including citation to specific provisions of the plan and processes for dealing with counter-parties.

Q. Please summarize the conclusions of your direct testimony.

A. The methodology that ComEd employed to allocate costs for recovery under both Rider PE and Rate BESH was reasonable. The amount of administrative and operational costs that ComEd incurred in procuring electric power and energy for retail customers served under Rider PE or Rate BESH was also reasonable. Last, ComEd fully complied with the applicable Commission-approved procurement plan.

D. Itemized Attachments to Testimony

Q. Are you sponsoring any attachments to your testimony?

A. Yes, I am sponsoring the attached ComEd Exhibit (“Ex.”) 2.1, which is discussed later in my testimony.

II. DESCRIPTION OF COMED’S ADMINISTRATIVE AND OPERATIONAL COSTS FOR PROCURING ELECTRIC POWER AND ENERGY FOR RIDER PE AND RATE BESH CUSTOMERS

Q. Are you familiar with the administrative and operational costs associated with the procurement of electric power and energy for retail customers served under Rider PE and Rate BESH for the period June 1, 2012 through May 31, 2013?

A. Yes, I am.

Q. Could you generally describe what those administrative and operational costs consist of?

A. Yes, these costs consist of two types. First are the internal costs related to the procurement-related functions of ComEd’s Energy Acquisition Department. Second are the costs that are external to the Energy Acquisition Department that were incurred to obtain products or services needed by the Energy Acquisition Department to perform its procurement-related functions. A summary schedule of these costs is presented in

ComEd Ex. 2.1. While the Commission's Order commencing this proceeding required only that ComEd address in testimony its internal administrative and operational costs, in past reconciliation proceedings the Commission Staff ("Staff") has inquired about other types of administrative and operational costs. Accordingly, I discuss those other costs in my testimony as well.

A. Internal Administrative and Operational Costs

Q. Could you describe the organization of ComEd's Energy Acquisition Department?

A. Yes. During the relevant period, the department consisted of five functional groups: Procurement Planning and Strategy; Wholesale Billing and Credit; Wholesale Supplier Operations; Wholesale Markets and Development; and Electric Supplier Services.

Q. What functions are performed by the Procurement Planning and Strategy group?

A. The Procurement Planning and Strategy group is responsible for developing and advocating ComEd's position in the annual procurement proceedings, fulfilling ComEd's responsibilities in Illinois Power Agency ("IPA") procurement events and managing the nomination of Auction Revenue Rights ("ARRs") in PJM.

Q. What functions are performed by the Wholesale Billing and Credit group?

A. The Wholesale Billing and Credit group validates PJM's invoiced charges to ComEd and initiates payments to PJM for confirmed services. They also validate charges to ComEd from our wholesale suppliers and initiate payments for those deliveries. During the time frame of June 2012 through May 2013, they also managed all wholesale supplier contracts, including the Master Power Purchase and Sale Agreements from the annual procurement events, the financial swap agreement with Exelon Generation LLC

90 (“ExGen”), and the Master Renewable Energy Purchase and Sale Agreements, also from
91 the annual procurement events. Finally, they monitor the credit ratings of ComEd’s
92 wholesale suppliers and administer daily credit processes including the determination of
93 market-to-market collateral requirements and the processing of collateral payments or
94 instruments.

95 **Q. How are the Procurement Planning and Strategy and the Wholesale Billing and**
96 **Credit groups organized and staffed?**

97 A. During the relevant period (June 1, 2012 through May 31, 2013), both groups reported to
98 a Director who oversaw the work of one full-time equivalent (“FTE”) analyst in the
99 Procurement Planning and Strategy group, and four FTE analysts in addition to the
100 Manager of the Wholesale Billing and Credit group.

101 **Q. What are the costs associated with operating the Procurement Planning and**
102 **Strategy and Wholesale Billing and Credit groups?**

103 A. The costs consist primarily of labor, including benefits. Other costs include office space,
104 computer and telephone equipment, training expenses and data services such as
105 brokerage quotes and credit rating agency reports.

106 **Q. What functions are performed by the Wholesale Supplier Operations group?**

107 A. The Wholesale Supplier Operations group performs a number of daily processes. They
108 validate individual retail customer enrollments for each Retail Electric Supplier (“RES”) to
109 assure that the daily load responsibilities of each RES are accurate. They calculate
110 individual retail customer Capacity Peak Load Contributions and Network Service Peak
111 Load Contributions, aggregate them by the responsible RES and submit to PJM so that

PJM properly bills each RES for generation capacity and transmission service. They submit daily load bids for the retail load served by ComEd into the PJM Day-Ahead energy market. They forecast RES hourly energy load serving responsibilities and monitor the hourly load serving responsibilities submitted by each RES to PJM to ensure good-faith scheduling. They forecast and submit to PJM hourly load serving responsibility estimates for the load supplied by ComEd. They confirm scheduled physical deliveries by ComEd's wholesale suppliers. Finally, they perform the reconciliation of actual versus estimated supplier load responsibilities with PJM.

Q. How is the Wholesale Supplier Operations group organized and staffed?

A. During the relevant period (June 1, 2012 through May 31, 2013), there were six FTE persons performing the aforementioned processes. Of these six FTE persons, five are FTE analysts reporting to the Manager of the Wholesale Supplier Operations group.

Q. What are the costs associated with operating the Wholesale Supplier Operations group?

A. The costs consist primarily of labor, including benefits. Other costs include office space, computer and telephone equipment, training expenses, and the maintenance and support of the Retail Office ("RO") software and other back office systems that store and analyze customer and supplier data and are used to submit this data to PJM.

Q. What functions are performed by the Wholesale Markets and Development group?

A. The primary role of the Wholesale Markets and Development group is to calculate the hourly load of the ComEd Zone on a daily basis. This calculation is the starting point for the allocation of load responsibilities to ComEd and each RES in the ComEd Zone. This

calculation is done by obtaining hourly meter values for all generation meters (excluding “behind-the-meter” generation) and all transmission tie-line meters associated with the ComEd Zone. The hourly zonal load is calculated by taking the sum of all generation within the zone, adding simultaneous imports, and subtracting simultaneous exports. In addition, this group ensures compliance with certain North American Electric Reliability Corporation (“NERC”) and Reliability First Corporation standards.

Q. How is the Wholesale Markets and Development group organized and staffed?

A. During the relevant period (June 1, 2012 through May 31, 2013), the group consisted of two FTE analysts and one FTE Manager.

Q. What are the costs associated with operating the Wholesale Markets and Development group?

A. The costs consist primarily of labor, including benefits. Other costs include office space, computer and telephone equipment, and training expenses. It is important to recognize that the functions of this group are required solely for the purposes of fulfilling ComEd’s obligations to PJM as an electric distribution company, and all of these functions are required whether or not ComEd provides supply services to any customer. There is no incremental work required in this group because of ComEd’s supply responsibilities to its retail customers. Therefore, none of the costs of this group have been allocated to the costs recovered under Rider PE and Rate BESH.

Q. What functions are performed by the Electric Supplier Services group?

A. The primary responsibility of the Electric Supplier Services group is to serve as the primary point of contact with RESs, including certifying new RESs and addressing RES

156 issues. The group processes customer enrollments with RESs and also processes
157 customer enrollments to ComEd's hourly service. The group also provides historical
158 customer usage data to market participants who have customer authorization to release
159 the data.

160 **Q. How is the Electric Supplier Services group organized and staffed?**

161 A. During the relevant period (June 1, 2012 through May 31, 2013), there was a Manager
162 who supervised a staff of eight and one-half FTE employees.

163 **Q. What are the costs associated with the Electric Supplier Services group?**

164 A. The costs consist primarily of labor, including benefits. Other costs include computer
165 and telephone equipment, training expenses, and hosting meetings and training for RESs.

166 **Q. How are the Wholesale Markets Development, Wholesale Supplier Operations, and**
167 **Electric Supplier Services groups organized within the Energy Acquisition**
168 **Department?**

169 A. These three groups report to a Director who oversees the work performed within the
170 groups.

171 **Q. Are there any other departmental overhead costs in Energy Acquisition that are**
172 **related to procurement administrative costs?**

173 A. Yes. As Vice President of Energy Acquisition, I spend a portion of my time working on
174 procurement-related activities. My Administrative Assistant also performs some
175 procurement-related activities.

B. Other Administrative and Operational Costs

Q. What are other administrative and operational costs in this context?

A. In general, these are the costs, other than the internal costs of ComEd's Energy Acquisition Department, and other than the direct costs of the electric supply itself, *e.g.*, energy, capacity, ancillary services, transmission, that ComEd's Energy Acquisition Department incurs in procuring electric power and energy to serve ComEd's customers.

Q. Can you provide a general description and breakdown of the various categories of administrative and operational costs that ComEd incurred in procuring electric power and energy during the relevant period?

A. Yes, that description and breakdown is included in ComEd Ex. 2.1.

Q. Referring to ComEd Ex. 2.1, what are the Energy Acquisition Department Internal Costs?

A. These are the internal costs, primarily consisting of labor, office space, and equipment, which are incurred by ComEd's Energy Acquisition Department. These are the costs that I have described above.

Q. What are the Information Technology Systems Costs?

A. These are the costs incurred to maintain and support the RO software that is used by the Energy Acquisition Department's Wholesale Supplier Operations. RO is a standard industry wholesale settlements program that assists in the determination of the amount of load served by ComEd pursuant to Rider PE and Rate BESH. PJM requires that ComEd report this information on a daily basis. The function of the Wholesale Supplier Operations group and of the RO software was addressed earlier in this testimony.

ComEd has needed to revise RO in response to various PJM rule changes such that consistent with the Commission's approval in ICC Docket No. 05-0597, and consistent with standard accounting practice, ComEd capitalized those costs and has been amortizing them over a five-year period.

Q. What are the PJM Credit Costs?

A. PJM credit costs represent the credit facility costs for the posting of PJM-required credit. PJM requires collateral of all of its members as insurance for payment of services rendered to serve the load. The Procurement Plan requires ComEd to procure the electric supply to balance the load of its fixed-price customers directly from the PJM spot markets. ICC Docket No. 11-0060, Illinois Power Agency Draft Power Procurement Plan (Sept. 28, 2011) ("Procurement Plan") at 46. Similarly, the Public Utilities Act ("PUA") requires ComEd to procure the electric supply to serve the full load of its hourly customers from the "applicable market," *i.e.*, PJM, as well. In addition, ComEd procures capacity, ancillary services and transmission to serve both its fixed-price and hourly customers from PJM.¹ Thus, ComEd must post collateral for this load. PJM requires all of its members who are in a net buyer position to post collateral in order to cover PJM's exposure to possible payment default. Because ComEd has no generation of its own, it will typically be in a position that requires it to buy from the market and therefore be required to post collateral. Since the contracts for the block energy products, which are most of the energy that ComEd procures, require the suppliers to physically deliver this supply, ComEd is not required to post collateral for this portion of its load. This

¹ See Procurement Plan at 58–59.

requirement, which ComEd has consistently supported, serves to minimize the amount of PJM credit costs that ComEd must incur.

Q. What are the Renewable Energy Credits (“RECs”) Costs?

A. These costs are associated with the certification and tracking services that were used to manage the REC contracts. As set out in the Procurement Plan, three services were used during this reconciliation period to track RECs. Procurement Plan at 54, 56. They were the PJM Environmental Information Services Generation Tracking System (“EIS GATS”), the MISO Midwest Renewable Energy Tracking System (“M-RETS”) and the North American Renewables Registry (“NARR”). These costs included annual fees and separate volume-based fees charged for RECs delivered and retired using the systems.

Q. What are the IPA Fees and Procurement Monitor Costs?

A. IPA fees are billed to ComEd, as provided for in the IPA Act, to pay for consultants engaged by the IPA to help in the development of the Procurement Plan. The Procurement Monitor Costs were costs directly associated with the payment of bills by ComEd for the professional services of a Procurement Monitor who was employed by Staff for the purposes of monitoring the fixed-price procurement process. The amount of costs shown on ComEd Ex. 2.1 for IPA fees and Procurement Monitor Costs includes the costs related to the procurement plan proceedings, ICC Docket No. 11-0660, which were incurred and passed through to customers during the period covered by this proceeding.

Q. What are the Procurement Plan and Reconciliation Proceeding Costs?

A. These are primarily the costs incurred in developing, obtaining approval for and implementing the procurement event, covering the period June 2012 through May 2017,

which was approved by the Commission in ICC Docket No. 11-0660. Also included are procurement-related costs that were incurred during this period and generally relate to issues that arose in administering existing electric supply and renewable energy resource contracts and to the reconciliation process and proceedings. These costs were incurred over the period involved in this matter, *i.e.*, June 2012 through May 2013, and were passed through to customers as they were incurred. These costs consist primarily of legal services from counsel external to ComEd, as well as expert witnesses and consulting charges.

Q. What are Supply-Related Costs Identified by the ICC?

A. In ICC Docket No. 11-0721, the ICC determined that a certain portion of ComEd's Administrative costs filed in its Distribution costs should be classified as supply-related costs. Those expenses identified by the Commission as supply-related in ICC Docket No. 11-0721 are now included in ComEd's supply-related administrative and operational costs as shown in ComEd Ex. 2.1.

Q. What are Merger Related Costs?

A. These are costs to achieve incurred in the merger with Baltimore Gas and Electric which were allocated to the ComEd supply function. These are similar to the merger related costs approved by the Commission in ICC Docket No. 13-0318.²

Q. What are the Customer Care and Collection Agency Costs allocated to Supply in ICC Docket No. 14-0312?

² See *Commonwealth Edison Co.*, ICC Docket No. 13-0318, Final Order (Dec. 18, 2013) at 22.

A. Customer care costs are expenses that are recorded in Federal Energy Regulatory Commission (“FERC”) Accounts 901-910. These expenses include the costs of maintaining and servicing customer accounts such as call center personnel, meter reading, recordkeeping, and billing and credit activities. Collection agency costs are the fees that ComEd pays to outside collection agencies to collect unpaid amounts from customers. The portion of these expenses identified by the Commission as supply-related in ICC Docket No. 14-0312 are included in ComEd’s supply-related administrative and operational costs as shown in ComEd Ex. 2.1.³

Q. What impact does the allocation of the 2013 customer care and collection agency costs to the Supply function have on ComEd’s Delivery Services revenue requirement?

A. By allocating a portion of 2013 customer care and collection agency costs to the Supply function, ComEd’s 2013 Delivery Services reconciliation revenue requirement was reduced by \$12,079,000. This reduction was reflected in ComEd’s compliance filing dated December 12, 2014 in connection with the Commission’s order in Docket No. 14-0312. The table below provides a summary of the allocation of the subject costs to Rider PE / Rate BESH (Rider Purchased Electricity / Rate Basic Electric Service – Hourly) and Rider PORCB (Purchase of Receivables with Consolidated Billing):

³ ICC Docket No. 14-0312 reconciled ComEd’s actual delivery service costs to the revenue requirement in effect during 2013. *Commonwealth Edison Co.*, ICC Docket No. 14-0312, Final Order (Dec. 10, 2014) at 1.

Costs Allocated to Supply	Customer Care Costs	Collection Agency Costs	Total
Rider PE / Rate BESH	\$10,927,000	\$647,000	\$11,574,000
Rider PORCB	-	\$505,000	\$505,000
Total	\$10,927,000	\$1,152,000	\$12,079,000

280

281 **Q. What portion of the \$11,574,000 of customer care and collection agency costs**
 282 **allocated to Rider PE and Rate BESH are included for recovery in this proceeding?**

283 A. Because five months of the period at issue for the reconciliation in this proceeding
 284 (January 2013 through May 2013) are covered by the costs referred to in the above table,
 285 five-twelfths of the total costs, or $(\$11,574,000 * 5/12)$, are included in this proceeding.
 286 Thus, \$4,822,500 of the 2013 customer care and collection agency costs is allocated to
 287 Rider PE and Rate BESH in this proceeding. *See* ComEd Ex. 2.1.

288 **Q. Please explain how the \$4,822,500 of 2013 customer care and collection agency costs**
 289 **was allocated between Rider PE and Rate BESH.**

290 A. Customer care costs and collection agency costs are not typically allocated by usage or
 291 demand but are typically allocated by the number of customers served under such
 292 Supply-related tariffs. As such, ComEd allocated approximately 98.7% of the customer
 293 care costs and collection agency costs to Rider PE and the remainder to Rate BESH based
 294 upon the average number of retail electric supply customers noted on page 9, line 24,
 295 columns (b) and (c) in Form 21 ILCC Annual Report for the reporting period ending
 296 December 31, 2013.

Q. Please explain the timing differences of recoveries of costs between the Energy Infrastructure Modernization Act (“EIMA”) formula rate calculation and the energy procurement reconciliation provided for under Rider PE and Rate BESH with respect to the customer care and collection agency costs.

A. The annual EIMA formula rate reconciliations are based on calendar year costs beginning with the calendar year 2010, while the energy procurement reconciliation fiscal years under Rider PE and Rate BESH are for the twelve-month periods beginning on June 1 through May 31 of the following year. As such, the allocation of 2013 customer care and collection agency costs will be reflected in the annual reconciliations for Rider PE and Rate BESH as follows:

Rider PE and Rate BESH	Customer Care Costs	Collection Agency Costs	Total
Reconciliation Year-Ended May 31, 2013	\$4,552,917	\$269,583	\$4,822,500
Reconciliation Year-Ended May 31, 2014	\$6,374,083	\$377,417	\$6,751,500
Total	\$10,927,000	\$647,000	\$11,574,000

The reduction to delivery services rates for the 2013 customer care and collection agency costs allocated to Supply was effective for the January 2015 through December 2015 monthly billing periods. The 2013 customer care and collection agency costs allocated to Rider PE and Rate BESH were reflected in the December 2014 determination period for Rider PE and Rate BESH consistent with the timing of the issuance of the December 10, 2014 Order in Docket No. 14-0312, and as such, were reflected in the Purchased

Electricity Adjustment (PEA) and Hourly Purchased Electricity Adjustment (HPEA)
Factors billed in April 2015.

Q. Why is it appropriate to incorporate the 2013 customer care and collection agency costs allocated to Supply in the reconciliation for this proceeding when they were reflected in the December 2014 Rider PE and Rate BESH determination periods and the PEA and HPEA Factors billed in April 2015?

A. As discussed above, there is a time lag between when ComEd's Delivery Service costs are incurred and when the reconciliation of those costs are approved by the Commission in a Formula rate proceeding (*e.g.*, the reconciliation of 2013 costs was approved by the Commission in December 2014). In order to properly match the time period when these costs were incurred (2013), it is appropriate to include them in this reconciliation proceeding.

Q. Will this timing lag result in double recovery of such costs?

A. No. Future Rider PE and Rate BESH reconciliations will reflect the costs allocated to Supply from future Formula Rate delivery service filings. The revenues recovered under future Rider PE and Rate BESH rates and the supporting filings will have incorporated such costs. The respective reconciliations will do so also, incorporating only minor differences due to customer load.

Q. On a prospective basis, please explain how ComEd will reflect customer care and collection agency costs in Rider PE and Rate BESH reconciliations for a fiscal year (June 1 through May 31).

A. On a prospective basis, ComEd will include calendar year customer care and collection agency costs allocated to Rider PE and Rate BESH reconciliations in the fiscal year the costs are applicable to (June 1 through May 31). For example, for the next Rider PE and Rate BESH reconciliation for the fiscal year June 2013 through May 2014, ComEd will reflect seven months of the 2013 customer care and collection agency costs and five months of the 2014 customer care and collection agency costs.

III. ALLOCATION METHODOLOGY

Q. Does the ComEd Energy Acquisition Department procure electric power and energy for ComEd's fixed-price customers as well as ComEd's hourly-priced customers?

A. Yes, it does.

Q. How did ComEd allocate the internal administrative and operational costs that you describe above between Rider PE and Rate BESH?

A. For each group (other than the Wholesale Markets and Development group), we first identified the primary work activities performed by the group and the portion of the total time spent on each activity by the employees within the group. We then made an assessment of whether or not each activity was related to ComEd's procurement responsibilities. In making that assessment, we considered whether the activity was necessary solely because of ComEd's load-serving responsibilities, or alternatively, if the function would have been required regardless of our load serving obligation. It was determined that most activities are a combination of these responsibilities. That is, some amount of that activity was deemed necessary to fulfill ComEd's electric distribution company responsibilities to PJM. This work activity would have been required whether or not ComEd supplied any energy to retail customers. However, the fact that ComEd

359 was also a load-serving entity expanded the amount of time and resources needed to
360 perform most activities. Therefore, an estimate of the time spent on each activity was
361 made based on the incremental procurement related work. This allocation of time to the
362 procurement function was then further split between how much of the activity related to
363 serving ComEd's fixed-price load versus the hourly load. Again, this split was made on a
364 time-based assessment. For this reconciliation period, the time-weighted allocations were
365 then consolidated to the department level and used to allocate both labor and non-labor
366 costs across the entire department. The average weighted percentage that was applied to
367 the department was approximately 35%.

368 **Q. Can you describe the allocations that were made for each of the groups?**

369 A. Yes, I can. With respect to the Wholesale Supplier Operations group, 23% of the overall
370 labor was determined to be procurement-related. The procurement-related activities
371 include validation of customer usage and enrollment information, calculation and
372 submission of peak load contributions to PJM, forecasting, submitting Day-Ahead
373 demand bids and submitting load serving responsibility estimates to PJM for load
374 supplied by ComEd, confirming scheduled physical deliveries by ComEd suppliers and
375 reconciliation of actual versus estimated load serving responsibilities for load supplied by
376 ComEd. Of these procurement-related activities, 75% were deemed to be associated with
377 fixed-price customers and 25% with hourly-priced customers, based on the relative
378 amount of time spent supporting each customer segment.

379 With respect to the Wholesale Billing and Credit group, 87% of the overall labor
380 was determined to be procurement-related. The procurement-related activities include
381 the accrual and processing of PJM and supplier statements, administration of supplier

382 agreements, monitoring supplier credit ratings and performing mark-to-market activities.
383 Of the procurement-related activities, 85% were deemed to be associated with fixed-price
384 customers and 15% with hourly-priced customers.

385 With respect to the Electric Supplier Services group, 4% of the overall labor was
386 determined to be procurement-related. The procurement-related activities include
387 processing and validating hourly customer enrollments and return-to-ComEd supply
388 enrollments. Of the procurement-related activities, 5% were deemed to be associated
389 with fixed-price customers and 95% with hourly-priced customers.

390 The Director who oversees the Wholesale Supplier Operations, Wholesale
391 Markets & Development and Electric Supplier Services groups and the Vice President of
392 Energy Acquisition spent 35% of their time managing procurement-related activities. Of
393 that time, 90% was deemed to be associated with fixed-price customers and 10% with
394 hourly-priced customers. The Procurement Planning and Strategy group spent
395 approximately 90% of their time managing procurement-related activities, 89% of which
396 was associated with fixed-price customers and 11% with hourly-priced customers.

397 **Q. How did ComEd allocate the other administrative and operational costs that you**
398 **describe above between Rider PE and Rate BESH?**

399 A. The Renewable Energy Costs, IPA fees, Procurement Monitor Costs and the Procurement
400 Plan Proceedings Costs were all directly allocated to the fixed-price customers as these
401 were costs incurred procuring supply for these customers. The Information Technology
402 System Costs were allocated 82% to fixed-price and 18% to hourly-priced customers.
403 Approximately 82% of the PJM Credit Costs were allocated to the fixed-price customers

and 18% were allocated to the hourly-priced customers. These costs were proportionately allocated based on PJM billings to each service type (fixed-price or hourly-priced). Procurement Plan and Reconciliation Proceedings costs were allocated 75% to fixed-price customers and 25% to hourly-priced customers. Supply Related costs identified by the ICC and Merger related costs were allocated 82% to fixed-price customers and 18% to hourly-priced customers.

IV. REASONABLENESS OF THE ADMINISTRATIVE AND OPERATIONAL COSTS

Q. Are the internal administrative and operational costs that ComEd incurred associated with the procurement of electric power and energy for retail customers served under Rider PE and Rate BESH for the period June 1, 2012 through May 31, 2013, reasonable?

A. Yes, they are. As described above, all of these costs relate to the operations of ComEd's Energy Acquisition Department. The functions performed by the Energy Acquisition Department were all necessary to procure the electric power and energy to serve Rider PE and Rate BESH customers. The staff that the Energy Acquisition Department employed was needed to perform these procurement functions. The salaries of the staff are set on a competitive basis and utilize the same salary structure that is used throughout ComEd, and they are reasonable in amount. The administrative costs associated with operating the department are also reasonable in amount. The methodology that ComEd employed to allocate these costs for recovery between Rider PE and Rate BESH is a fair and reasonable method.

426 **Q. Are the other administrative and operational costs described above reasonable and**
427 **recoverable?**

428 A. Yes, they are. The other administrative and operational costs, described above, all fall
429 within one of two categories: (1) costs incurred in procuring power and energy for
430 fixed-price customers under the provisions of Rate BES, including the costs to develop,
431 implement and comply with any relevant procurement plan, as described in Rider PE; and
432 (2) costs incurred in procuring electric power and energy for hourly-priced customers
433 under the provisions of Rate BESH. While I am not a lawyer, I am advised by ComEd's
434 counsel that it is ComEd's legal position that the PUA specifically provides that a utility
435 shall recover its costs of procuring electric power and energy, including the costs incurred
436 by the utility in procuring a supply of electric power and energy, any just and reasonable
437 costs that the utility incurs in arranging and providing for the supply of electric power
438 and energy, all reasonable costs incurred to implement and comply with any procurement
439 plan, any fees assessed by the IPA, any costs associated with balancing load and the full
440 costs of all auction-related activities. Similarly, Rider PE and Rate BESH implement the
441 PUA and further authorize the recovery of these costs.⁴ As is evident from the
442 description of the costs that I have provided above, all the costs that were recovered from
443 retail customers during this period were necessary to procure the electric power and
444 energy to serve ComEd's fixed-price and hourly-priced customers consistent with the
445 PUA, the Procurement Plan, and ComEd's tariffs. As I noted above, it is ComEd's

⁴ See Rider PE, Original Sheet No. 311, section on Purpose; Original Sheet Nos. 313 and 314, section on Procurement Obligation; 3rd Revised Sheet No. 317, section on Purchased Electricity Price; Rate BESH, 7th Revised Sheet No. 36 and 2nd Revised Sheet No. 37, section on Miscellaneous Procurement Components Charge; 2nd Revised Sheet No. 37, 3rd Revised Sheet No. 38 and Original Sheet No. 39, section on Hourly Purchased Electricity Adjustment Factor; and 5th Revised Sheet No. 46 and 2nd Revised Sheet No. 46.1, section on Miscellaneous General Provisions.

position that these costs are conclusively classified as prudent and reasonable, and are fully recoverable. Last, all the costs incurred and listed on ComEd Ex. 2.1 are reasonable in amount.

Q. How does the amount of administrative and operational costs that ComEd recovered from customers during this reconciliation period compare to the amount that was recovered in the prior period of June 1, 2011 through May 31, 2012?

A. In the prior period, ComEd recovered approximately \$8.7 million in administrative and operational costs. In the period examined in this docket (June 1, 2012 through May 31, 2013), the amount recovered from customers was approximately \$12.4 million in administrative and operational costs. Excluding the Customer Care and Collection Agency Costs allocated to Supply in ICC Docket No. 14-0312, the difference from the prior period is primarily due to an invoice for over \$1 million received from the IPA in July 2011 for 2010 and 2011 fiscal year expenses.

V. COMPLIANCE WITH THE PROCUREMENT PLAN

Q. What are the key components of the Procurement Plan?

A. The key components of the Procurement Plan are: (1) identification of pre-existing contracts for supply; (2) the determination of the amounts and method for procuring the residual requirements of energy, capacity and ancillary services for the eligible retail customers; and (3) the procurement of renewable energy resources.

Q. Please describe the pre-existing contracts for supply.

A. Pre-existing contracts are contracts for energy, capacity or ancillary services that ComEd entered into outside of the context of a procurement plan pursuant to either an ICC order

468 or a provision of law. The PUA provides that the utility is entitled to full cost recovery
469 for all supply procured under pre-existing contracts. *See* 220 ILCS 5/16-111.5(k) & (l).
470 During this reconciliation period, there was one pre-existing contract. Pursuant to
471 Section 16-111.5(k) of the PUA, ComEd entered into a five-year financial swap contract
472 with ExGen. During this reconciliation period, that agreement provided price certainty
473 for 3,000 MW of around-the-clock (“ATC”) energy that ComEd procured through the
474 PJM spot markets.

475 **Q. Please describe what the Procurement Plan provided for the procurement of energy,**
476 **capacity and ancillary services.**

477 A. The PUA requires that the portion of the utility’s load not supplied by pre-existing
478 contracts is to be served pursuant to the procurement of standard wholesale products. To
479 meet this requirement, the Procurement Plan proposed the procurement of block energy-
480 only products that varied monthly and by on-peak and off-peak time periods. To balance
481 the portion of the load served by these block energy products, the Procurement Plan
482 proposed for ComEd to passively procure and sell energy in the PJM administered spot
483 markets. Similarly, the Procurement Plan proposed for ComEd to procure capacity and
484 ancillary services from the relevant PJM-administered markets.

485 **Q. Please describe how the Procurement Plan proposed to procure renewable energy**
486 **resources.**

487 A. The Procurement Plan proposed to procure the required amounts of renewable energy
488 resources, as stipulated in the PUA, for this reconciliation period through the
489 procurement of RECs.

490 **Q. Please describe how ComEd complied with the pre-existing contracts portion of the**
491 **Procurement Plan.**

492 A. This portion of the Procurement Plan required that ComEd track compliance with the
493 terms of the swap agreement. Pursuant to the swap agreement, ComEd procured and paid
494 for energy from the PJM spot market and then reconciled, on a monthly basis, with
495 ExGen for the difference between the day-ahead spot prices and the contract prices.

496 **Q. Please describe how ComEd complied with the procurement of energy, capacity and**
497 **ancillary services portion of the Procurement Plan.**

498 A. Several days after the ICC approved the winning bidders for the block energy products,
499 ComEd executed the standard contract that the Procurement Administrator had developed
500 with each winning bidder for the amount and price approved by the ICC. During the
501 terms of these contracts, ComEd tracked the appropriate amounts of energy delivered by
502 each supplier, and then paid the approved price to the supplier for this product. ComEd
503 confirmed delivery through the PJM scheduling process at least one month prior to when
504 energy began flowing for each month of the term. ComEd acquired balancing energy,
505 capacity and ancillary services through the relevant PJM markets. ComEd tracked that
506 the appropriate amounts were obtained, confirmed that the invoiced amounts were correct
507 and then processed payment for these amounts.

508 **Q. Please describe how ComEd complied with the procurement of renewable energy**
509 **resources portion of the Procurement Plan.**

510 A. Several days after the ICC approved the winning bidders for the RECs, ComEd executed
511 the standard contract that the Procurement Administrator had developed with each
512 winning bidder for the amount and price approved by the ICC. During the terms of these

contracts, ComEd confirmed delivery of the appropriate amounts of RECs from each supplier through the use of the EIS GATS, NARR or the M-RETS certification systems. After deliveries were made and confirmed, ComEd made payments to the suppliers at the approved prices. ComEd also validated the invoices received from the renewable certification entities and then processed payments as reimbursement for those services.

Q. With respect to the reconciliation period involved in the current Docket, June 1, 2012 through May 31, 2013, can you cite the relevant portions of the ICC-approved IPA Procurement Plan that supports ComEd's actions, including the contracts ComEd entered into that are consistent with the ICC-approved IPA procurement event?

A. Yes. For the period June 1, 2012 through May 31, 2013, ComEd complied with the Procurement Plan approved by the Commission in ICC Docket No. 11-0660. Specifically, there were two procurement events held for ComEd supplied load in accordance with the IPA Procurement Plan:

Renewable Energy and RECs Procurements

Procurement Event	Description	Docket 11-0660 Approved Amount	ComEd Procured Amount	References
Short Term RECs	One year REC contracts for the period June 1, 2012 through May 31, 2013	1,335,673 RECs	1,335,673 RECs	Section 3.3.3 of the 2012 IPA Procurement Plan dated 9/28/2011 on page 53

529

Standard Products RFP Energy Procurement

Month	ComEd Procured Amount		IPA Plan⁽¹⁾		Difference	
	On Peak MW	Off Peak MW	On Peak MW	Off Peak MW	On Peak MW	Off Peak MW
Jun-12	500	300	500	300	-	-
Jul-12	200	150	200	150	-	-
Aug-12	-	-	-	-	-	-
Sep-12	-	-	-	-	-	-
Oct-12	-	-	-	-	-	-
Nov-12	-	-	-	-	-	-
Dec-12	-	-	-	-	-	-
Jan-13	-	-	-	-	-	-
Feb-13	-	-	-	-	-	-
Mar-13	-	-	-	-	-	-
Apr-13	-	-	-	-	-	-
May-13	-	-	-	-	-	-
Jun-13	-	-	-	-	-	-
Jul-13	-	-	-	-	-	-
Aug-13	-	-	-	-	-	-
Sep-13	-	-	-	-	-	-
Oct-13	-	-	-	-	-	-
Nov-13	-	-	-	-	-	-
Dec-13	-	-	-	-	-	-
Jan-14	-	-	-	-	-	-
Feb-14	-	-	-	-	-	-
Mar-14	-	-	-	-	-	-
Apr-14	-	-	-	-	-	-
May-14	-	-	-	-	-	-
Jun-14	150	-	150	-	-	-
Jul-14	300	100	300	100	-	-
Aug-14	200	50	200	50	-	-
Sep-14	-	-	-	-	-	-
Oct-14	-	-	-	-	-	-
Nov-14	-	-	-	-	-	-
Dec-14	100	-	100	-	-	-
Jan-15	100	-	100	-	-	-
Feb-15	50	-	50	-	-	-
Mar-15	-	-	-	-	-	-
Apr-15	-	-	-	-	-	-
May-15	-	-	-	-	-	-

Notes:

(1) IPA's September 28, 2011 Proposed Plan with the revised load forecast provided to the IPA and ICC Staff on March 8, 2012

530

531 Several days after the ICC approved the four winning bidders for the block energy
532 products and the five winning bidders for short term RECs, ComEd executed the standard
533 contracts that the Procurement Administrator had developed with each winning bidder for
534 the amount and price approved by the ICC.

535 **Q. With respect to the reconciliation period involved in the current Docket,**
536 **June 1, 2012 through May 31, 2013, can you describe the process in which ComEd**
537 **made and received payments to and from a) contractual counter-parties consistent**
538 **with the above-referenced contracts and b) PJM for purchases and sales consistent**
539 **with the ICC-approved IPA Procurement Plan?**

540 A. Yes, for the contracts under which deliveries were required, ComEd confirmed delivery
541 through the PJM scheduling process at least one month prior to when energy began
542 flowing for each month of the term. ComEd acquired balancing energy, capacity and
543 ancillary services through the relevant PJM markets. ComEd tracked that the appropriate
544 amounts were obtained, confirmed that invoiced amounts correctly reflected the prices
545 and quantities in the Commission-approved contracts and then processed payment for
546 these amounts.

547 **Q. With respect to the reconciliation period involved in the current Docket, June 1,**
548 **2012 through May 31, 2013, can you describe the process in which ComEd received**
549 **and retired RECs consistent with the ICC-approved contracts?**

550 A. With respect to REC's delivered under ICC-approved contracts, ComEd confirmed
551 delivery from each supplier through the use of the EIS GATS, NARR or the M-RETS
552 certification systems. After deliveries were made, renewable energy credits were

553 transferred and retired, and invoices were validated, ComEd made payments to the
554 suppliers at the approved prices.

555 ComEd also validated that invoices from EIS GATS, NARR and M-RETS for
556 REC registry fees were correct and then processed payments as reimbursement for those
557 services.

558 **Q. Does that conclude your direct testimony?**

559 A. Yes, it does.